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**ARKANSAS PUBLIC SERVICE COMMISSION ANNOUNCES ACTION STEPS
IN RESPONSE TO FEDERAL TRIAL JUDGE DECISION SHIFTING LOUISIANA
ELECTRIC PRODUCTION COSTS
TO ENTERGY ARKANSAS RATEPAYERS**

FOR IMMEDIATE RELEASE: February 10, 2004

Good afternoon ladies and gentlemen. Thank you for taking the time to attend our second news conference in less than one week.

Last Friday, the presiding Federal Energy Regulatory Commission ("FERC") Trial Judge, Judge Lawrence Brenner, released his decision in the Louisiana Public Service Commission's ("Louisiana") 2001 FERC lawsuit against Entergy and its Arkansas ratepayers. Unfortunately, as we had feared, Judge Brenner's decision is adverse to the interests of Arkansas ratepayers. The good news is that we won the "full production cost equalization" issue, which, if we had lost, would have added up to the greatest amount of financial exposure to this state. So, instead of looking at a \$400 million *annual* rate increase to Entergy Arkansas ratepayers, as we were initially estimating to be our worst case scenario, we are now estimating an average retail impact of \$113¹ million in annual cost shifts from 2004 - 2011. However, that number does not reflect any of the offsets that we hope to obtain from our appeal efforts or any of the other potential remedies that we will share with you in a moment.

Although we have not yet fully quantified the impact of Judge Brenner's decision on Arkansas ratepayers, we have drawn the following preliminary conclusions:

- Full electric production cost equalization, as urged by Louisiana, was not adopted. This represents a major victory for our litigation team and avoids the worst case scenario. If full production cost equalization had been approved, Arkansas' financial exposure could have been over twice as high.
- Unfortunately, this decision also will require Entergy's Arkansas ratepayers to help pay for the very expensive Vidalia, Louisiana hydro-electric plant.

¹ Assuming stable gas prices and the current retail/wholesale load ratio.

- Full refunds for the period September, 2001 to May, 2003 were not ordered, although we estimate that Entergy's Arkansas retail ratepayers will be required to pay Louisiana approximately \$125 million for the year 2003.
- The decision provides no incentive whatsoever for any Entergy regulator or operating company to exercise "self-help" and take appropriate action to decrease its electric production costs. As issued, the decision allows the System Agreement and Entergy's planning process to continue to be used to the disadvantage of Arkansas ratepayers.

This result, as we stated emphatically in our news conference last week, is totally unfair to Arkansas ratepayers, who have shouldered high Entergy generation costs in past years. Accordingly, we will appeal this decision to the FERC Commissioners. If unsuccessful there, we will take this decision to the United States Court of Appeals for the District of Columbia. If unsuccessful there, we will take this case all the way to the United States Supreme Court. Further, we will explore every available legal option at our disposal to protect Entergy's Arkansas ratepayers.

In the mid-1980's, Entergy Arkansas' participation in Entergy system planning under the 1951 and 1973 Entergy System Agreement allowed the FERC and the federal courts to force Arkansas ratepayers to help pay for Entergy's extremely expensive Grand Gulf Nuclear Generation Plant ("Grand Gulf"). And now, in the same fashion, the System Agreement has allowed a FERC Judge to recommend that Arkansas ratepayers should help pay for the high-cost hydro-electric plant in Vidalia, Louisiana, which only Louisiana approved. We believe that the FERC ALJ's finding that this resource was intended to serve all of Entergy's customers in four states is wrong. The costs of that contract, which only Louisiana designed and approved during the tenure of former Louisiana Governor Edwin Edwards, are several times higher than the wholesale market rate and will, over the life of the contract, escalate to \$205 per MWh, which is almost eight times higher than the cost of the Arkansas electric cooperatives' hydropower. Correspondingly, due to the extreme unfairness of this aspect of the ALJ's ruling, as well as the dollars involved – which could add up to hundreds of millions of dollars over the next several years – this Commission will fight the Vidalia decision tooth and nail all the way to the U. S. Supreme Court.

In addition to fighting the ALJ's decision through every step of the appeals process, this Commission will initiate an inquiry into the circumstances surrounding, and leading up to, Entergy's decision to enter the "take and pay" contract with the owners of the hydro-electric plant in Vidalia, Louisiana. We believe that it is this Commission's responsibility --- since we've now been told we're going to have to start paying these outrageous prices for electricity that we don't need and don't consume --- to fully investigate *everything* underlying this extremely expensive contract.

Furthermore, at the very core of this two-decade long battle with the State of Louisiana is a contract among the Entergy operating companies called the "System Agreement". It is the "System Agreement," as interpreted by the FERC, which brought us Grand Gulf, and the System Agreement, as interpreted by Judge Brenner, which today brings us Vidalia. Who knows what else this pact among the Entergy operating companies may bring us in the future? It is obvious

that this agreement, certainly now if not before, deserves --- in fact loudly begs for --- thorough scrutiny and analysis to determine how it affects Entergy customers in Arkansas. Correspondingly, the members of this Commission have today initiated an investigation regarding Entergy Arkansas, Inc.'s continued participation in the Entergy System Agreement, and what appropriate steps can be taken by EAI and this Commission to protect Arkansas ratepayers in the future. Given the manner in which the System Agreement has been repeatedly used as a weapon against Arkansas, it is imperative that this Commission carefully examine Entergy Arkansas, Inc.'s continued participation in that Agreement.

So, in summary, we want to assure Entergy's ratepayers in this State that we will immediately begin the process of appealing this trial judge's ruling to the four FERC Commissioners, begin an investigation into the Vidalia contract, and also begin an investigation into Entergy's continued participation in the Entergy System Agreement, which is at the core of this litigation. We invite all interested parties, particularly the Attorney General's office, to intervene in and participate in these investigations.

Copies of our news release issued last Wednesday as well as copies of today's news release, and our order initiating the investigation into Entergy Arkansas, Inc.'s continued participation in the System Agreement, are available on the table outside this hearing room. Again, thank you for attending this news conference, and we would be happy to answer any questions that you may have.

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